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The Manufacturers Hanover
Financial Digest
Weekly Commentary, Selected Financial Data, and Business Indicators

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Reports Of Recovery . . .

Despite some analysts' assertions earlier this year that the recession bottomed out in February, a look at the latest batch of weekly and monthly statistics seems to indicate that these assessments were premature. It now appears that the snapback of some economic indicators in February, following their disastrous weather-related plunge in January, was simply insufficient to reverse the slide of the economy. And, with such signposts as consumer and business confidence, auto sales and production, total employment and hours worked still heading lower, economic activity in March probably closed on a lower note than in February.

According to the Conference Board, consumer confidence in the economy slipped to a 15-year low in March. In response, a growing number of households has begun to scale back buying plans. With total employment easing and the unemployment rate now matching its postwar high, it is hardly surprising that consumers have pulled in their horns. The Board's buying plans index (which measures consumers' intentions to purchase such big-ticket items as new homes, autos and appliances) resumed its descent in March, following a jump in February.

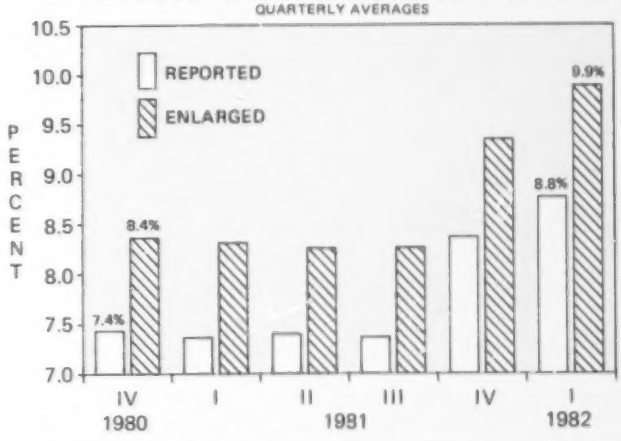
Businessmen also appear unconvinced that recovery is at hand. The March survey of purchasing agents who work for 250 industrial companies revealed substantial, and deepening, economic weakness in the corporate sector. Almost 40 per cent of the purchasing agents reported fewer employees on their company's payrolls in March, compared with the approximately 35 per cent reporting fewer employees in February. Furthermore, 35 per cent reported lower production levels in March, versus only 30 per cent in February.

Perhaps most indicative of the current economic malaise is that, despite vigorous Administration efforts to enhance private sector investment, business capital spending plans can be considered lackluster at best, and dismal at worst. Only 57 per cent of those surveyed indicated firm capital spending commitments beyond six months, well below the nearly 65 per cent with such intentions at the end of 1981 and, more damaging still, the lowest number since the early 1970s.

. . . Are Greatly Exaggerated . . .

What these surveys suggest is that neither consumer nor business spending will increase soon enough to provide sufficient upward momentum to escape the current economic doldrums. Indeed, the most recent statistics seem to confirm this view. For example, new domestic auto sales resumed their downward slide in March, despite extensive manufacturer rebates. They declined by a seasonally adjusted seven per cent month-over-month, to a 5.9 million unit annual rate. What is more, with auto dealers unable to sell the cars already in stock, it is not

'REPORTED' UNEMPLOYMENT RATE VS. 'ENLARGED' UNEMPLOYMENT RATE (INCLUDES DISCOUHAGED WORKERS) QUARTERLY AVERAGES



surprising that auto production itself remains listless. During the week ending March 27, production totaled 89,381 units, almost 40 per cent below year-earlier levels. This, by the way, is below total auto output of 91,021 units during the final week in February which, in turn, was about 30 per cent lower than the year-earlier production pace.

Similar difficulties continue to plague homebuilders. Although total housing starts increased by a seasonally adjusted 6.5 per cent in February month-over-month, the uptick was largely due to improved weather conditions in many areas of the country as well as a sizable jump in multifamily starts. But at a seasonally adjusted annual rate of

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only 953,000 units, housing starts still remain mired well below the one million unit mark—and 26 per cent below year-earlier levels.

Even more disturbing to the American dream, however, has been the free-fall in the number of single-family home starts. They declined again in February, this time to the second lowest level on record—with few signs on the horizon that any sustained turnaround will soon occur. For with mortgage interest rates and home prices at their current lofty levels, an ever-larger proportion of households has been simply priced out of the new home market (Financial Digest—March 8, 1982), with little hope of being able to enter as long as current economic conditions persist.

Not surprisingly, with consumer and business confidence diminished, spending plans curbed and autos and housing groping for firmer footings, many other "downstream" industries have also been unable to recover from the current recession. In the steel industry, for example, year-over-year comparisons of total output only highlight a worsening, not improving, picture. Whereas production in the final week of February was down 29 per cent year-over-year (sufficiently large to produce an unemployment rate of almost 15 per cent industry-wide), by early April it was off 40 per cent.

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 3/31/82	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	133.451	– .945	+ 6.152
Loans to Depository Inst.	1.653	– .001	+ .189
Float	2.066	– .030	– .482
Total Reserve Bank Credit	146.411	– .848	+ 4.658
Treasury Deposits with Federal Reserve Banks	3.097	– .232	+ .210
Currency Outside Banks	125.988	– .844	+ 5.832
Member Bank Reserves:			
Required	38.846	– .019	– .909
Excess (Deficiency)	.455	+ .192	– .078
Total Reserves Held	39.301	+ .173	– .987
Net Borrowed Reserves	.998	– .220	+ .287
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	92.825	– .725	– 7.895

		% Change Since Three Months Ago*	% Change Since Year Ago
Monetary Aggregates†			
M1	NA	NA	NA
M2 (February '82)	1,847.5	+ 8.4	+ 10.1
M3 (February '82)	2,214.3	+ 7.3	+ 10.6
L (December '81)	2,643.7	+ 10.3	+ 11.5

†Seasonally adjusted. *Seasonally adjusted annual rate.

New York Money Market

Offering Rates 4/8/82	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	13.10%	13.10%	12.70%
* Federal Agencies	13.55	14.10	14.18
* Project Notes—Taxfree (46% Taxable Equivalent)	14.44	15.00	NA
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	14.85	14.95	15.25

‡Finance Company Paper—Prime		‡* Bankers' Acceptances	
5- 14 days	14.00%	May	14.40%
15- 29 days	14.38	Jun.	14.25
30- 59 days	14.38	Jul.	14.20
60- 89 days	14.13	Aug.	14.10
90-179 days	13.75	Sep.	14.00
180-239 days	13.25	Oct.	13.75
240-270 days	13.25		

‡Industrial Paper—Prime		†Federal Funds	
30- 89 days	14.25%		
90-120 days	14.00	Effective Rate	14.60%

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	4th Q'81	$ 2,998	$ 2,965	$ 2,731
Gross National Product (1972 Dollars)*	4th Q'81	$ 1,498	$ 1,516	$ 1,486
Percent Change, Annual Rate	4th Q'81	– 4.5	1.4	3.8
Change in Consumer Prices (all urban consumers)*	Feb '82	2.4%	3.6%	12.0%
Change in Producer Prices*	Mar '82n	– 1.2%	– 1.2%	13.2%
Civilian Employment (Thousands of Persons)†	Mar '82	99,492	99,590	100,406
Unemployment as % of Civilian Labor Force†	Mar '82	9.0%	8.8%	7.3%
Personal Income*	Feb '82	$ 2,510	$ 2,498	$ 2,318
Leading Indicators Composite Index (1967=100)†	Feb '82	124.9	125.3	134.2
Industrial Production Index (1967=100) †	Feb '82	141.8	139.6	151.8
Net Change in Consumer Installment Credit†	Jan '82	$ 0.44	–$ 0.03	$ 1.21
U.S. Merchandise Trade Balance †	Feb '82	–$ 0.39	–$ 4.09	–$ 2.13
Plant and Equipment Expenditures*	2nd Q'82	$336.77	$345.46	$316.73
Private Housing Starts (Thousands of Units)*	Feb '82	953	895	1,294
New Construction Expenditures*	Feb '82	$ 230.4	$ 232.7	$ 254.5
Total Business Inventories†	Jan '82	$ 509.7	$ 511.8	$ 478.5
Total Business Sales†	Jan '82	$ 336.9	$ 342.3	$ 352.5

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. a-Anticipated.

. . . As The Recession Lingers

Similarly, declines in the output of paperboard, used for packaging, widened in March. During the final week of the month, production of paperboard dipped almost six per cent below the comparable period in 1981; during the fourth week in February, in comparison, output was down 2.3 per cent on a year-over-year basis. So, too, declines are continuing in machine tool orders, nondefense factory orders, lumber production, railroad car loadings and truck tonnages—providing at times a seemingly endless array of negative economic news, as well as contradicting expectations of either an imminent, or robust, economic rebound.

But perhaps the most disturbing result of all this has been the sharp deterioration of labor market conditions. Here, too, earlier signs of strength were largely illusory, as both total employment and the length of the average workweek fell in March, while initial claims for unemployment insurance, the number of discouraged workers (those who do not even bother to look for work any longer) and the rate of unemployment itself, all ballooned. If these trends persist, it will not be too long before the term "double-digit," no longer applicable to the rate of inflation, is used instead to characterize unemployment. (See chart on page 1.)

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CD's Weekly Reporting Banks			
Nationwide (3/24/82)	134,405	+ 1,819	+23,525
New York City (3/24/82)	33,904	+ 921	+ 6,016
Commercial Paper (3/24/82)	170,008	– 517	+39,692

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (3/24/82)	199,793	– 24	+29,661
New York City (3/24/82)	55,372	– 631	+ 5,706

Total Loans Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (3/24/82)	471,714	+ 415	+48,620
New York City (3/24/82)	108,695	+ 36	+10,128

Financial Markets

	Thursday 4/8/82	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	13.51%	– .23	– .39
180-Day Bills†	13.99	– .14	+ .29
Longest Bills†	14.01	– .04	+ 1.21
Recent Issues:			
14 1/8s 3/31/84	14.19	– .05	
14s 3/31/86	14.10	– .10	
14 5/8s 2/15/92	13.90	– .12	
14s 11/15/11	13.36	– .15	
Municipals:			
Bond Buyer–20 Bond Index*	12.99%	– .14	+ 2.54
Blue List Total ($ Million)	$ 725	– $ 59	– $105
30-Day Visible Supply ($ Million)	$1,865	– $ 70	– $746
Total	$2,590	– $129	– $821
Corporates:			
Moody's Aa Composite (4/7/82)	15.15%	– .06	+ .86
30-Day Visible Supply ($ Million) ‡	$3,095	+ $139	NA
Stocks:			
Dow-Jones Averages:			
Industrials	842.94	+ 9.70	– 155.89
Transportation	348.84	+ 10.80	– 94.60
Utilities	110.52	+ 1.26	+ 2.37
65 Stocks	332.67	+ 5.79	– 58.45
Standard and Poor's 500 Stocks	116.22	+ 2.43	– 18.45
N.Y.S.E. Composite Index	66.89	+ 1.40	– 10.91
N.Y.S.E. Avg. Daily Vol. for Week (000's)	52,692	+ 7,932	+ 3,906

* 46% Taxable equivalent 24.06%.
‡ Series redefined: Historical data not available.
† Bond equivalent.

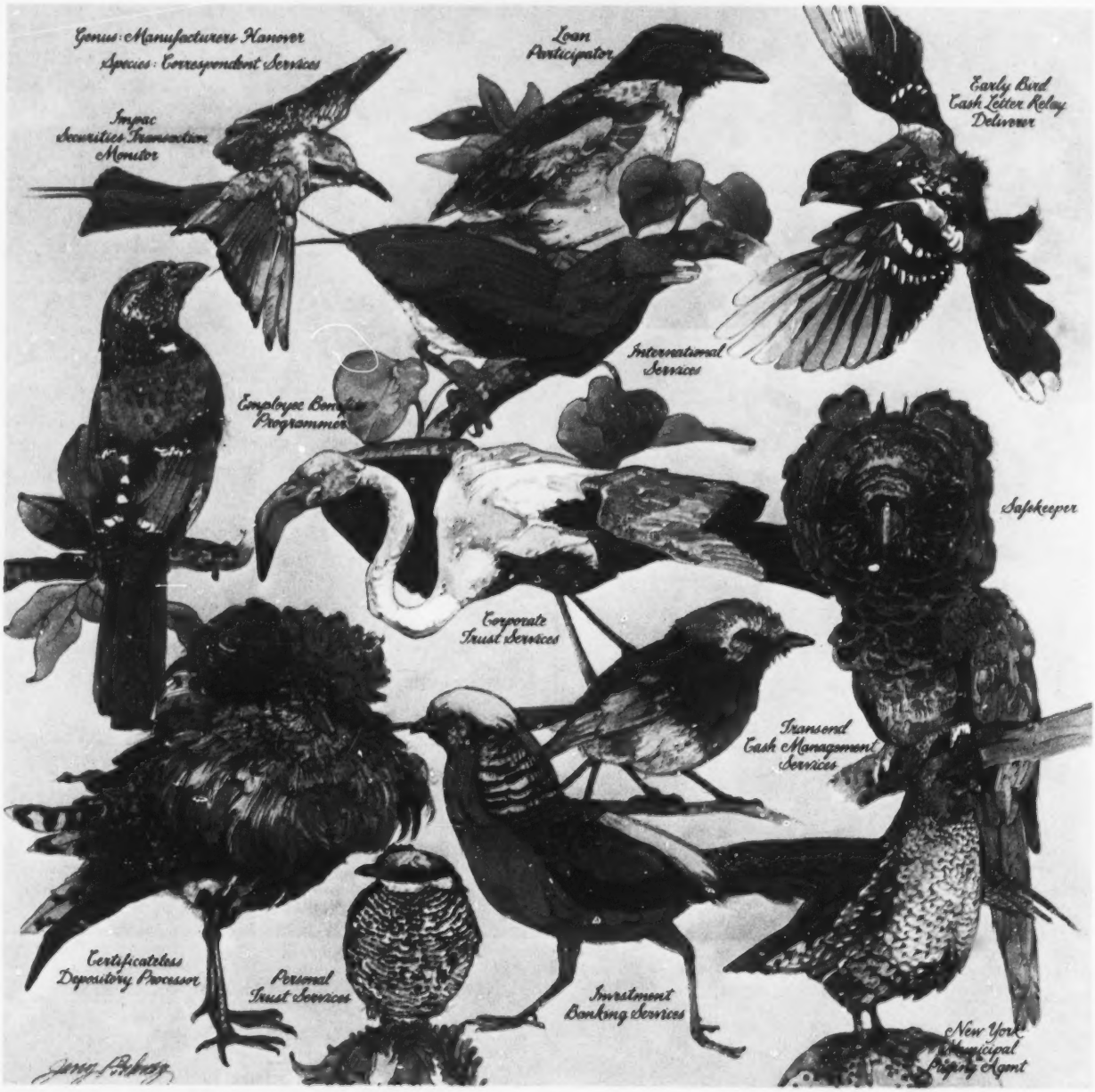
International Rates

EURODOLLAR DEPOSIT RATES (bid)	Thursday 4/8/82	Week Ago
Overnight	15.00%	15.88%
1 month	15.56	15.38
3 month	15.56	15.38
6 month	15.63	15.38
1 year	15.38	15.19
EURODOLLAR BONDS Average Yield		
Medium Term (5 to 7 yrs.)	14.80%	14.70%
Long Term (7 to 15 yrs.)	14.90	14.80

FOREIGN EXCHANGE SPOT RATES

New York Opening (4/8/82)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.02188	45.71
Canada	.8112	1.2327
Denmark	.1214	8.2350
France	.1584	6.3120
Germany	.4133	2.4195
Italy	.0007520	1329.80
Japan	.004027	248.35
Mexico	.02172	46.03
Netherlands	.3733	2.6790
Switzerland	.5052	1.9795
U.K.	1.7558	.5695

THE CORRESPONDENT WATCHER'S GUIDE.



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